When taxes clash with politics, a price on carbon is a tough sell

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The economic merit of carbon taxes is clear: reduction in greenhouse gas emissions.

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If only grubby politics could get out of the way of pristine economics, the argument over the future of Canada's carbon tax could be neatly and quickly wrapped up.

The economic merits of the carbon tax could not be clearer: Greenhouse gas emissions generated by burning fossil fuels are taxed, increasing their cost over time

and discouraging their use. Not only does it deliver reductions in greenhouse gas emissions for the lowest cost, it gives consumers and businesses maximum flexibility in choosing how to do so.

And yet, around four in 10 Canadians are opposed to the federal carbon tax, unswayed by the logic of economic theory and impervious to lecturing from academics, the government and their progressive neighbours.

The federal Liberals won re-election in October after implementing a carbon tax with offsetting rebates for consumers, but it would be premature to think that the 2019 vote settled the matter, particularly since the size of the levy may need to increase tenfold for Canada to meet its climate change commitments.

The political dangers of carbon taxes are obvious enough. Australia is the clearest example of a carbon-tax backlash, where a Labor government introduced a carbon tax in 2011, handing the Liberal opposition an electoral cudgel. The government was defeated, the tax was repealed and greenhouse gas emissions skyrocketed.

With such perils in mind, Canadian energy economist Mark Jaccard makes the case for a more expansive view of carbon policy in his new book, *The Citizen's Guide to Climate Success: Overcoming Myths that Hinder Progress*. One of the biggest myths, he says, is that carbon taxes are needed to fight climate change.

"The carbon tax is, from an economic efficiency perspective, the perfect policy, which is why lots of people, especially economists, keep saying *we must price carbon emissions*. But this statement is factually incorrect; even 100% decarbonization can be achieved by regulations alone," writes Jaccard, a professor at Simon Fraser University's School of Resource and Environmental Management.

Instead, he argues for an approach that takes into account not just theoretical purity, but the real-world prospects of success: of being implemented, and then staying in place long enough to reduce greenhouse gas emissions to levels that won't drive up global temperatures. Flexible government regulations that set goals for emissions reductions, for instance, for low-carbon fuel standards are the better path, he argues. Yes, such rules are more cumbersome and more costly than a carbon tax. But they are less visible and hence less likely to generate widespread opposition.

A bucket wheel excavator mining lignite at the Tagebau Hambach open-pit coal mine in Elsdorf, western Germany, operated by German energy producer RWE on Jan. 14, 2020. The mine has been in focus of environmentalists for years, as power generation using lignite has a negative impact on climate change.

FEDERICO GAMBARINI/AFP/GETTY IMAGES

Failure to voice support for the carbon tax is climate change heresy, but Jaccard is an apostate with impeccable credentials. He has spent decades writing on and researching climate policy, and helped to design British Columbia's carbon tax, the forerunner and template for the federal levy. His pragmatic streak is hard-won: Jaccard recounts how he spent many frustrating hours trying to defend B.C's carbon tax from an avalanche of misinformation and outright lies after its launch in 2008, most notably the reality that most citizens received tax cuts that more than offset their carbon-tax bill.

In his view, the carbon tax very nearly led to the defeat of the B.C. Liberal government in the election the following year. The opposition NDP, with an axe-the-tax platform, erased the Liberals' double-digit advantage in the polls. Worries about the vulnerability of the B.C. economy ultimately trumped all else, and allowed the Liberals to eke out a win. But Jaccard sees that experience, along with the defeat of

the federal Liberals and their carbon-tax platform in 2008, as proof that Canada is not immune from the populist fervour that makes carbon taxes a political loser.

The federal Liberal government surely had the B.C. experience in mind when it designed its own carbon tax, including rebates that mean four-fifths of Canadian households subject to the federal levy are net beneficiaries. That is a step beyond B.C.'s design, which simply reduced corporate and individual income tax rates, a lower-profile move that made it easier for carbon-tax opponents to spread misinformation. In his 2018 book, *Can We Price Carbon?*, University of Michigan professor Barry Rabe makes the point that highly visible rebates can bolster public backing for carbon taxes. If the prospect of avoiding a climate catastrophe is not enough to gain your support, the prospect of losing a cheque might do the trick.

The federal Liberals, so far, have avoided the political pitfalls of carbon taxes. The party won reelection in October, although reduced to a minority and all but shut out of the carbon-tax loathing Prairies. And the government has been studiously vague on whether the carbon tax will continue to rise after 2022. Opinion polls consistently show two things: A majority of Canadians support the carbon tax; and that support drops precipitously as the tax rises.

Climate activists and members of the environmentalist groups as Citizen Movement Against Climate Change and Fridays For Future, protest outside the Australian embassy in Lima on Jan. 10, 2020.

CRIS BOURONCLE/AFP/GETTY IMAGES

If Canada is to meet its commitment to reduce emissions by 2030 under the Paris Agreement, either the carbon tax will have to rise to politically toxic levels, or something else will need to take up the resulting slack. Such a step would not be a wholesale reversal of Liberal climate policy, but rather a change in emphasis. The carbon tax is just one tool Ottawa is using to reduce emissions; among other steps, the government is also using regulations to reduce carbon pollution from industry, developing clean-fuel standards and rolling out subsidy programs.

In charting the path to 2030 and beyond, Jaccard argues, it is crucial to dispel the myths clouding the debate over fighting climate change. The myth of the indispensable carbon tax is but one.

Important for the Canadian context, especially, is his dismantling of the various excuses made for the continued expansion of the fossil fuel industry, including the argument that our domestic industry is a more ethical source of petroleum.

Polemicist Ezra Levant advanced the most prominent version of this argument in his 2010 missive, *Ethical Oil: The Case for Canada's Oil Sands*. In short, Levant argued that the heavy carbon footprint of Alberta's bitumen projects should be disregarded because of this country's better standards for human rights and other non-environmental benchmarks.

Although he does not cite Levant directly, Jaccard disposes of the ethical-oil argument, and other equally shallow defences of the fossil fuel industry, by focusing on the central question of the incompatibility of stable, safe global temperatures with increased production of oil, natural gas and coal. "How ethical is it to harm current and future generations with climate change simply to enrich yourself?" he asks.

Crucially, though, Jaccard does not simply inveigh against apologists for the fossil fuel economy. He then turns to progressives who see the fight against climate change as just part of a wider political agenda.

Canadian author Naomi Klein laid out that vision best in her 2014 book, *This Changes Everything: Capitalism vs the Climate*. In it, she argues that the neoliberal economic policies of globalization, deregulation and privatization are inextricably bound to the climate crisis. Not only have such policies given free rein to the free market to send emissions soaring, they also suffocate attempts to combat climate change. In Klein's view,"…the things we must do to avoid catastrophic warming are no longer just in conflict with the particular strain of capitalism that triumphed in the 1980s. They are now in conflict with the fundamental imperative at the heart of our economic model: grow or die."

A man takes a picture next to the Aletsch glacier above Bettmeralp, in the Swiss Alps, on Oct. 1, 2019. Aletsch, the largest glacier in the Alps, could completely disappear by the end of this century if nothing is done to rein in climate change, a study showed.

FABRICE COFFRINI/AFP/GETTY IMAGES

So, that means rolling back globalization in favour of locally produced goods. Higher taxes (including carbon taxes) are needed to reverse decades of tax cuts favouring the rich and corporations. Indigenous land claims must be honoured, the social safety net expanded and decisions on power generation and resource development ceded to local communities, to name but a few of the changes for which she advocates.

Only the struggle for such radical change can spark the mass social movements that can push governments to reduce emissions. Otherwise, the fight against global warming will crash against the imperatives of a free-market ideology that cannot contemplate trade restrictions, tighter regulations and higher taxes.

Klein understands that she is not just taking on climate change deniers but many who, at least notionally, support action on climate change but not a hard-left agenda

of economic transformation. She criticizes the “fetish of centrism” that, perhaps even more than global capitalism, she sees as a barrier to avoiding a climate crisis.

Jaccard has no time for such side-crusades. The real barriers to avoiding catastrophic climate change have little to do with the deficiencies of globalization and much more do with the human inclination to react slowly to intangible and distant threats, especially when it involves personal sacrifice.

Interestingly, Klein and Jaccard agree on one key point: Individual action is not enough to deal with climate change; collective action is needed to force governments into sustained and meaningful action.

For Jaccard, “profound revolution” is not the aim, although he expresses sympathy for the questions of equity that Klein raises. Instead, he sees a much more focused and prosaic agenda on deep cuts to carbon emissions from the electricity and transportation sectors, with advanced economies leading the way. Trade tariffs imposed on imports from high-carbon countries will do more than sprawling, but toothless, international accords.

What Klein sees as a fetish of centrism, Jaccard views as the virtue of simplicity. Time is short, and the task of constraining emissions is already tough enough. Ultimately, Jaccard’s approach to climate change, including his critique of carbon taxes, is an argument for finding a way to come together, rather than embracing policies that are intellectually pure but unnecessarily divisive.

After all what’s more important: Winning an argument, or saving the planet?

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